

**SUMMARY OF MAJOR CHANGES TO
DoDFMR, VOLUME 12, CHAPTER 8
“FOREIGN NATIONAL EMPLOYEES SEPARATION PAY ACCOUNT, DEFENSE”**

Changes are denoted by blue font.

Substantive revisions are denoted by a ★ preceding the section, paragraph, table or figure that includes the revision.

Hyperlinks are denoted by ***bold, italicized, and underlined blue font.***

| Paragraph | Explanation of Change/Revision | Purpose |
|-------------------------------|--|---------|
| 080205, 080207, and 080401 | Updated DFAS office and replaced outdated postal mailing address with current email address, as documentation is now all submitted by email. | Update |
| Multiple | Revised for clarity, precision, and readability. Added hyperlinks. | Update |

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FOREIGN NATIONAL EMPLOYEES SEPARATION PAY ACCOUNT, DEFENSE

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FOREIGN NATIONAL EMPLOYEES SEPARATION PAY ACCOUNT, DEFENSE0801 OVERVIEW

080101. Purpose. This chapter specifies policy and procedures applicable to the Foreign National Employees Separation Pay Account, Defense.

080102. Background

A. The National Defense Authorization Act for Fiscal Years 1992 and 1993 authorized a trust fund account to accumulate **funds to finance** obligations for separation payments to foreign national employees of the Department of Defense (DoD). The “National Defense Authorization Act of 1995” extended this authorization to include foreign nationals employed by a foreign government, for the benefit of the Department of Defense, under any of the following agreements that provide for payment of separation pay: (1) a contract, (2) a treaty, or (3) a memorandum of understanding with a foreign nation. Title 10, United States Code, section 1581 (**10 U.S.C. 1581**) provides for establishment and operation of this account. Use of the term “foreign national employees” in this chapter is meant to apply to both foreign national direct and indirect hire employees.

B. Except as provided herein, all separation payments for DoD foreign national employees shall be made from this account. All amounts that were obligated for such separation payments, but not expended before enactment, shall be transferred to this account. Similar amounts obligated after enactment shall also be transferred into this account on a quarterly basis. Amounts in the account remain available until expended.

C. This guidance applies to all DoD appropriations. This guidance does not apply to activities under the Defense Working Capital Fund (**WCF**). Defense **WCF** activities shall continue to make necessary foreign national employee severance payments under established Defense **WCF** procedures. This guidance also does not apply to the Foreign Military Sales (FMS) Trust Fund. The FMS Trust Fund activities shall continue to accrue and disburse separation pay to their foreign national employees from the FMS Trust Fund.

0802 POLICY AND PROCEDURES

080201. Amounts to be obligated for foreign national employees separation pay shall be determined and calculated at the installation level in accordance with applicable host country agreements. These amounts shall be obligated in the full amount of the liability that accrues during the fiscal year, without regard to whether the amount currently is payable. Disbursement of these amounts shall be made from the Foreign National Employees Separation Pay Account, Defense.

080202. Foreign national employee separation pay accruals (obligations) shall be transferred quarterly to the Foreign National Employees Separation Pay Account, Defense. Such amounts are to be transferred via a [Standard Form \(SF\) 1081](#) (“Voucher and Schedule of Withdrawals and Credits”).

080203. The Director, Defense Finance and Accounting Service (DFAS), shall administer the [account](#) as well as perform related accounting functions.

080204. Administrative subdivisions shall be established within the [account](#) for each DoD Component that budgets for foreign national employee separation pay. Deposits into and payment from the [account](#) shall be recorded in the applicable DoD Component subdivision.

★ 080205. Except for those organizations operating within the Defense WCF and the FMS Trust Fund, all separation payments for foreign national employees paid from DoD appropriations shall be disbursed from the Foreign National Employees Separation Pay Account. Requests for authorization to disburse from this [account](#) shall be forwarded to the appropriate servicing DFAS site. Forward a copy of the backup documents to DFAS Indianapolis - [Accounting Operations at DFAS-IN.FOREIGN.NATIONAL.SEPARATION@dfas.mil](#).

080206. The appropriation symbol for the Foreign National Employees Separation Pay Account, Defense is 97X8165. The applicable Treasury receipt account is 97R8165.001.

080207. Transfers. Transfers into the [Foreign National Employees Separation Pay Account, Defense](#) shall be made as follows:

★ A. All amounts accrued (obligated) for foreign national employee separation pay liability during each fiscal year by any DoD Component **must** be transferred into the [account](#) quarterly [via an SF 1081](#). Forward a copy of the back-up documents to DFAS Indianapolis - [Accounting Operations at DFAS-IN.FOREIGN.NATIONAL.SEPARATION@dfas.mil](#).

B. When payments from a DoD Component’s subdivision of the [account](#) exceed the balance in that Component’s subdivision, additional amounts shall be obligated from funds otherwise available to a DoD Component and subsequently transferred into the [account](#) under authority provided in the National Defense Authorization Acts for Fiscal Years 1992, 1993 and 1995. These transfers shall equal the amount of the payment in excess of the balance of the DoD Component’s subdivision of the [account](#), plus any amounts accrued but not currently payable.

C. Each DoD Component, in conjunction with the Director, DFAS, or designee, **must** perform at least an annual review of the amounts in its respective [account](#) subdivision and compare such amounts to its foreign national separation pay liabilities to ensure sufficient funds have been obligated for future payment. If required, additional amounts must be obligated, from funds otherwise available to a DoD Component, and subsequently transferred into the [account](#) under authority provided in the National Defense Authorization Acts for Fiscal Years 1992, 1993 and 1995. Both parties **must** certify to the accuracy of the information. This annual review shall occur each April. The DFAS and the other DoD Components also **must**

maintain an audit trail of accountable records and assure the establishment of an effective internal control system for the entire account.

080208. Deobligations. Each DoD Component **must** notify its supporting DFAS site of all deobligation transactions, adjustments and corrections, in a timely and accurate manner. The respective site will record adjustments and corrections in the accounting records.

080209. Availability of Deobligated Amounts. Amounts deobligated by DoD Components shall remain in the **account** for a period of 2 years from the date of deobligation for recording, adjusting, and liquidating amounts properly chargeable to the liability of the respective DoD Component. Any such deobligated amount remaining after the 2-year period shall be canceled.

0803 SUBSEQUENT DISBURSEMENTS

080301. Validation of Funds Availability. When approved by DFAS, disbursements for foreign national employee separation payments may continue to be made by local disbursing offices, including the Department of State, using DoD cross-disbursement procedures as applicable. Each DoD Component and non-DoD office (e.g., Department of State) **must** coordinate its disbursement/cross-disbursement actions with the supporting DFAS site to validate the availability of funds prior to disbursement. A positive balance in the **account** is necessary prior to payment; therefore, both DoD and non-DoD activities will verify from the supporting DFAS site that sufficient funds are available prior to submitting vouchers to servicing disbursing offices for employee payments.

080302. Cross-Disbursements. When cross-disbursements procedures are used, the appropriate DFAS site shall be advised prior to each actual disbursement.

0804 RESPONSIBILITIES

★ 080401. DFAS Indianapolis - Accounting Operations. The DFAS Indianapolis - Accounting Operations shall:

A. Oversee the recording and reporting of all required accounting information. Perform the required reporting and reconciliation of cash in the United States Treasury.

B. Maintain a general ledger account structure with necessary subsidiary ledgers to support the various accounts. Also accurately maintain subsidiary ledgers and an audit trail. The detail subsidiary ledgers may remain at the supporting DFAS sites or DoD Component field level activities.

C. Process all accounting transactions through the accounting network in a timely and accurate manner.

D. Provide accurate and timely accounting service to customers, e.g., DoD Components, upon request. Coordinate the accounting process with other DFAS sites.

E. Perform a positive funds control function and alert the DoD Components when necessary to assure a timely transfer, based on available information.

F. Provide a point-of-contact with telephone and fax numbers to the DoD Components.

080402. Department of Defense Components. The DoD Components shall:

A. Determine the obligation amount and notify the supporting DFAS site in a timely manner to accomplish the quarterly transfer. This information will be the basis for future SF 1081 processing and for updating the accounting records.

B. Process the SF 1081 and return a copy to the supporting DFAS site in a timely manner.

C. Manage all pertinent agreements regarding foreign national employees. Forward a copy of all agreements and/or arrangements, including changes and amendments, to the supporting DFAS site.

D. Notify the supporting DFAS site of all changes, adjustments, or cancellations of previously reported information at least monthly.

E. Provide the supporting DFAS site with a point-of-contact, with telephone and fax numbers, and the current mailing address.